

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S NOTICE)
OF CHANGES IN RATES AND TARIFFS FOR)
WHOLESALE ELECTRIC SERVICE AND OF A) CASE NO. 9613
FINANCIAL WORKOUT PLAN)

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by November 3, 1986, or within 10 days after the date of this Order, whichever is later. Where a narrative discussion or explanation is requested, explain in detail all components used in each calculation including the methodology employed and all assumptions applied in the derivation of each calculation. Failure to provide clear, concise workpapers and other calculations where requested may necessitate further information requests. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. If the information cannot be provided by the due date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 4

1. With reference to the response to Item No. 1 of the Commission's Information Request No. 3, provide the following:

a. A copy of the analysis of Account No. 107 made by Big Rivers to determine the operating and maintenance of expenses for the period January through September 1985.

b. A schedule itemizing these operating and maintenance expenses on a monthly basis for each month of the test year. Include workpapers and/or other calculations that clearly show how each level of expense was determined.

c. A schedule itemizing the fixed costs (taxes, interest and insurance) on a monthly basis for each month of the test year. Include workpapers and/or other calculations that clearly show how each level of expense was determined.

d. A schedule itemizing the labor and overhead costs for each month of the test year. Include workpapers and/or other calculations that clearly show how each level of expense was determined.

e. Workpapers detailing the cost per KWH for items a. and b. above.

2. With reference to the response to Item No. 2 of the Commission's Information Request No. 3, provide the following:

a. With consideration that the average annual load factor for Alcan is as follows:

| | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> |
|----------------------------|-------------|-------------|-------------|-------------|
| Average Annual Load Factor | 95.90 | 94.21 | 94.79 | 95.03 |

What factors support Big Rivers' decision to use a 97.5 load factor?

b. A schedule of Alcan's load factor for each month of 1986.

c. Henderson-Union Rural Electric Cooperative Corporation, in Case No. 9620,¹ proposed an adjustment to margins reflecting a decrease in Alcan's monthly KW demand by 100,000 KW due to the curtailment of a second potline. Please explain how in Big Rivers' opinion this adjustment is consistent with Big Rivers' assumption that Alcan will operate two potlines.

3. With reference to the response to Item No. 3 of the Commission's Information Request No. 3, provide the following:

a. A comparison of the total assessed values used in Big Rivers' adjustment to state and local property taxes with the Revenue Cabinet's 1986 assessment is as follows:

| | <u>Big Rivers</u> | <u>Revenue Cabinet</u> |
|--|-------------------------------|-----------------------------|
| Real Estate | \$ 86,003,816 | \$ 72,352,724 |
| Tangible Personalty | 67,219,536 | 50,568,803 |
| Manufacturing Machinery | 994,299,116 | 580,979,503 |
| Intangibles @ 25¢ | 17,082,311 | 17,988,289 |
| Intangibles @ 1.5¢ | 5,275,703 | 5,275,703 |
| Unmined Coal/Business Inventory @ .1¢ | -0- | 32,838,425 |
| TOTAL | <u><u>\$1,169,880,482</u></u> | <u><u>\$760,003,447</u></u> |

¹ Notice of Henderson-Union Rural Electric Cooperative Corporation That on September 10, 1986, or at Such Time as Big Rivers Electric Corporation's Rate Increase Becomes Effective It Will Adjust and Increase Its Rates to Flow Through the Increased Wholesale Charges of Big Rivers Electric Corporation Sought in PSC Case No. 9613.

Explain the difference between the values used by Big Rivers and the Revenue Cabinet's assessed value for real estate, tangible personalty and manufacturing machinery.

b. Submit copies of Form 61A200(K) for the years ending December 31, 1984, and December 31, 1985, as filed with the Revenue Cabinet.

c. Submit copies of Form J as certified by the Revenue Cabinet for tax years 1985 and 1986.

4. Has the board of directors approved the ash removal contract with Rose Brothers Trucking, Inc.? When will removal begin? Provide support.

5. Responses thus far to various questions related to the determination of revenue requirements in this case have indicated that Big Rivers first determined that it needed a \$9 million margin. As a result of this conclusion, the amount of interest to be deferred under the workout plan was approximately \$47 million. Under this scenario, the assumption must be made that revenue requirements were the given number which when reduced by operating costs of \$355,142,349 and a margin of \$9 million resulted in deferred interest of \$47 million.

a. Please explain, in detail, precisely how the revenue requirement of \$316,198,316 was determined.

b. Explain, in detail, precisely how the \$9 million margin was determined.

c. If the above assumption is incorrect, explain, in detail, precisely how the \$47 million interest deferral was determined.

6. With reference to the response to Item No. 12 of the Commission's Information Request No. 3, what is the status of the MEAM arbitration?

Done at Frankfort, Kentucky, this 24th day of October, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director